

NEWS RELEASE

FOR RELEASE _____

Bowman and Miller, P.C. today released an audit report on Marshall County, Iowa.

The County had local tax revenue of \$42,017,721 for the year ended June 30, 2006, which included \$1,942,061 in tax credits from the state. The County forwarded \$33,164,707 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$8,853,014 of the local tax revenue to finance County operations, a 5.4 percent increase from the prior year. Other revenues included charges for services of \$2,281,699, operating grants, contributions and restricted interest of \$5,815,099, capital grants, contributions and restricted interest of \$2,941,356, local option sales tax of \$976,259, unrestricted investment earnings of \$355,021 and other general revenues of \$35,849.

Expenses for County operations totaled \$19,232,002, a 4 percent increase from the prior year. Expenditures included \$5,629,468 for Public Safety and Legal Services, \$5,548,904 for Roads and Transportation and \$3,125,973 for Mental Health.

A copy of the audit report is available for review in the office of the Auditor of State and the County's Auditor's office.

MARSHALL COUNTY

**Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings and Questioned Costs**

June 30, 2006

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-10
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 11
Statement of Activities	B 12-13
Governmental Fund Financial Statements:	
Balance Sheet	C 14-15
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17-18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 19
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 20
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 21
Statement of Cash Flows	I 22
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 23
Notes to Financial Statements	24-38
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	39-40
Budget to GAAP Reconciliation	41
Notes to Required Supplementary Information – Budgetary Reporting	42
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 43-44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 45-46

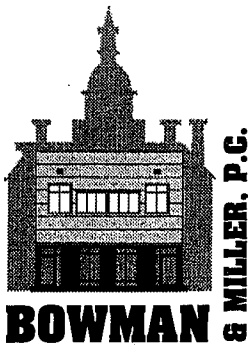
Table of Contents (continued)

	<u>Schedule</u>	<u>Page</u>
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	47-50
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	51-54
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	55
Schedule of Expenditures of Federal Awards	6	56-57
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		58-59
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		60-61
Schedule of Findings and Questioned Costs		62-65
Audit Staff		66

Marshall County

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Gordie Johnson	Board of Supervisors	January 2009
John Soorholtz	Board of Supervisors	January 2007
Ron Goecke	Board of Supervisors	January 2007
Leland Searle (resigned July 31, 2006)	County Auditor	January 2009
Deane Adams	County Treasurer	January 2007
Kathy Baker	County Recorder	January 2007
Theoharris Kamatchus	County Sheriff	January 2009
Jennifer Miller	County Attorney	January 2007
Bill Williams	County Assessor	January 2007



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-309-5461 • FAX 515-278-0287

James R. Bowman, CPA • jim@syscompia.com
Elizabeth A. Miller, CPA • beth@syscompia.com
Debra J. Osborn, CPA • deb@syscompia.com
Suzanne M. Mead, CPA • suzanne@syscompia.com

Independent Auditors' Report

To the Officials of Marshall County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Marshall County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2006, on our consideration of Marshall County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 39 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Marshall County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

December 12, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Marshall County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 4.9%, or approximately \$1.1 million, from fiscal 2005 to fiscal 2006. The decrease was the result of decreased program revenues in all but two programs. Roads and transportation saw an increase of \$732,000 and government services to residents had an increase of \$340,000. Property tax and local option sales tax increased approximately \$401,600. Charges for services decreased approximately \$818,000. Operating grants and contributions decreased approximately \$248,000 and capital grants, contributions and restricted interest decreased approximately \$436,000.
- Program expenses increased 4%, or approximately \$748,000. The largest increases in program expenses were roads and transportation at 39.8% and county environment and education at 21.3%. Public safety and legal services and administration both decreased approximately 5% each.
- The County's net assets increased 8.3%, or approximately \$3.1 million, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Marshall County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Marshall County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Marshall County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health and Dental Insurance Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Marshall County's combined net assets increased 8.3% or an increase of \$3,102,000. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2006	2005
Current and other assets	\$ 18,564	\$ 19,083
Capital assets	37,043	33,410
Total assets	55,607	52,493
Long-term debt outstanding	4,545	5,071
Other liabilities	10,492	9,954
Total liabilities	15,037	15,025
Net assets:		
Invested in capital assets, net of related debt	32,888	28,784
Restricted	4,570	5,476
Unrestricted	3,112	3,208
Total net assets	\$ 40,570	\$ 37,468

The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased approximately \$96,000. This is a decrease of 3%.

Restricted net assets decreased from approximately \$5.5 million on June 30, 2005 to approximately \$4.6 million on June 30, 2006, a decrease of 16.5%.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 2,281,699	\$ 3,099,643
Operating grants, contributions, and restricted interest	5,815,099	6,062,937
Capital grants, contributions and restricted interest	2,941,356	3,377,175
General revenues:		
Property tax	8,404,862	7,950,246
Interest and penalty on property tax	85,377	79,628
State tax credits	448,152	449,484
Local option sales tax	976,259	1,033,688
Grants and contributions not restricted to specific purpose	-	15,681
Unrestricted investment earnings	355,021	242,879
Miscellaneous	35,849	131,236
Total revenues	21,343,674	22,442,597
Program expenses:		
Public safety and legal services	5,629,468	5,939,398
Physical health and social services	857,055	800,077
Mental health	3,125,973	3,070,925
County environment and education	871,776	718,513
Roads and transportation	5,548,904	3,969,122
Governmental services to residents	852,265	799,791
Administration	2,111,802	2,232,223
Non-program	59,256	789,602
Interest on long-term debt	175,553	164,059
Total expenses	19,232,052	18,483,710
Increase in net assets	2,111,622	3,958,887
Net assets beginning of year, as restated	38,457,942	34,499,055
Net assets end of year	\$ 40,569,614	\$ 38,457,942

Marshall County's net assets of governmental activities increased by \$2,111,622 during the year. Revenues for governmental activities decreased by approximately \$1.1 million over the prior year, with capital grants decreasing approximately \$436,000.

The cost of all governmental activities this year was \$19.2 million compared to \$18.5 million last year. As shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$8.2 million because some of the cost was paid by those directly benefited from the programs (\$2.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8.7 million). The County paid for the "public benefit" portion of governmental activities with approximately \$9.9 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Marshall County completed the year, its governmental funds reported a combined fund balance of \$7.4 million, which is \$1.2 million less than the 2005 fund balance. Individual fund balances changed as documented below:

- General Fund ending fund balance showed a decline of \$540,295 from the prior year to \$2,797,640.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$3.1 million, the same as the prior year. However, the Mental Health Fund balance at year end decreased by approximately \$297,000 over the prior year due to a FY06 levy rate of only 67% of the allowed maximum. The negative ending fund balance will require Marshall County to raise their MH/DD levy rates in the future to qualify for additional State funding and bring the fund balance to a more suitable level.
- Secondary Roads Fund expenditures increased by approximately \$344,000 over the prior year. The Secondary Roads Fund ending balance decreased approximately \$386,000 to \$2,370,057.

BUDGETARY HIGHLIGHTS

Over the course of the year, Marshall County amended its budget twice. The first amendment was made in November, 2005 and resulted in an increase in budgeted disbursements of \$294,254 related to Recorder's office software, GIS grant expenditures and the courthouse roof project. The second amendment was done in February, 2006 and resulted in an increase in expenditures of \$189,704 and revenues of \$902,794, mostly for intergovernmental revenue such as HAVA reimbursement, fuel revenue, RISE funds and jail commissary profit.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Marshall County had approximately \$61.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately 5.8 percent over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2006	2005
Land and construction in progress	\$ 1,798	\$ 1,813
Buildings and improvements	20,149	19,409
Equipment and vehicles	7,152	6,576
Infrastructure	32,476	30,275
Total	\$ 61,575	\$ 58,073
This year's major additions included (in thousands):		
Secondary road equipment		\$ 381
Voting equipment		102
Sheriff's patrol cars		64
Bridge and road projects		2,202
Total		\$ 2,749

The County had depreciation expense of \$1,791,732 in fiscal year 2006 and total accumulated depreciation of \$25,197,854 at June 30, 2006. More detailed information about the County's capital assets is presented in Note 8 to the financial statements.

Long-Term Debt

At June 30, 2006, Marshall County had approximately \$4,545,700 in general obligation bonds and other debt outstanding compared to approximately \$5,071,000 at June 30, 2005, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2006	2005
General obligation bonds	\$ 4,055,000	\$ 4,530,000
Capital lease purchase agreements	16,755	43,170
Compensated absences	390,099	394,624
Deferred real estate contract	83,845	103,443
Total	\$ 4,545,699	\$ 5,071,237

No new debt was issued in fiscal year 2006.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Marshall County's outstanding general obligation debt is significantly below its constitutional debt limit of \$59 million. Compensated absences include accrued vacation pay. Additional information about the County's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Marshall County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. The unemployment rate in the County is 3.3 percent versus 4.6 percent in November of 2005. This compares with the State's unemployment rate of 3.4 percent and the national rate of 4.5 percent. Inflation in the Midwest continues to be somewhat lower than the national Consumer Price Index increase. The Midwest CPI-U increase was 1.1 percent compared with a national rate of 2.0 percent.

These indicators were taken into account when adopting the budget for fiscal year 2007. Proposed spending for FY 2007 was decreased 0.6 percent from the re-estimated 2006 budget. Property tax dollars to be generated in 2007 will represent a 6.5 percent increase from property tax dollars budgeted in 2006. However, total revenues from all sources, which include property taxes, are expected to increase only 3.0 percent. The County has added no major programs or initiatives to the 2007 budget.

If these estimates are realized, the County's operating fund balance is expected to decrease by the end of 2007.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Marshall County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Marshall County Auditor's Office, 1 E. Main Street, Courthouse, Marshalltown, Iowa.

Marshall County
Statement of Net Assets
June 30, 2006

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,798,617
Receivables:	
Property tax:	
Delinquent	1,973
Succeeding year	9,138,239
Interest and penalty on property tax	723
Accounts	9,401
Accrued interest	28,966
Due from other governments	952,674
Inventories	488,836
Prepaid expenses	144,606
Capital assets (net of accumulated depreciation)	37,043,181
Total assets	<u>55,607,216</u>
Liabilities	
Accounts payable	623,251
Accrued interest payable	17,436
Salaries and benefits payable	179,973
Due to other governments	533,004
Deferred revenue:	
Succeeding year property tax	9,138,239
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	16,755
Deferred real estate contract	20,499
General obligation bonds	500,000
Compensated absences	390,099
Portion due or payable after one year:	
Deferred real estate contract	63,346
General obligation bonds	3,555,000
Total liabilities	<u>15,037,602</u>
Net Assets	
Invested in capital assets, net of related debt	32,887,581
Restricted for:	
Supplemental levy purposes	425,379
Secondary roads purposes	2,301,233
Debt service	6,282
Capital projects	643,497
Other purposes	1,193,776
Unrestricted	3,111,866
Total net assets	<u>\$ 40,569,614</u>

Marshall County
Statement of Activities
Year Ended June 30, 2006

			Program Revenues		
			Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses		Service		
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 5,629,468	1,373,831	572,075	-	-
Physical health and social services	857,005	14,413	302,122	-	-
Mental health	3,125,973	7,189	1,419,403	-	-
County environment and education	871,776	58,673	25,228	71,010	
Roads and transportation	5,548,904	86,238	3,486,009	2,612,539	
Governmental services to residents	852,265	628,869	1,262	256,707	
Administration	2,111,802	27,570	9,000	1,100	
Non-program	59,256	84,916	-	-	-
Interest on long-term debt	175,553	-	-	-	-
Total	<u>\$ 19,232,002</u>	<u>2,281,699</u>	<u>5,815,099</u>	<u>2,941,356</u>	

General Revenues:

Property and other county tax levied for:

General purposes

Tax increment financing

Debt service

Interest and penalty on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

Net (Expense)
Revenue and Changes
in Net Assets

(3,683,562)
(540,470)
(1,699,381)
(716,865)
635,882
34,573
(2,074,132)
25,660
(175,553)

(8,193,848)

7,546,528
225,595
632,739
85,377
448,152
976,259
355,021
35,849

10,305,520

2,111,672

38,457,942

\$ 40,569,614

Marshall County
Balance Sheet
Governmental Funds
June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,750,372	268,795	779,879	1,512,142
Receivables:				
Property tax:				
Delinquent	1,367	343	95	-
Succeeding year	5,636,456	1,692,000	1,100,000	-
Interest and penalty on property tax	723	-	-	-
Accounts	1,640	-	300	6,728
Accrued interest	16,528	-	-	-
Due from other governments	333,542	3,764	163,016	452,352
Inventories	-	-	-	488,836
Prepaid expenses	138,233	-	-	6,373
Total assets	\$ 8,878,861	1,964,902	2,043,290	2,466,431
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 204,979	65,226	203	42,771
Salaries and benefits payable	117,937	8,011	703	53,322
Due to other governments	120,107	412,416	200	281
Deferred revenue:				
Succeeding year property tax	5,636,456	1,692,000	1,100,000	-
Other	1,742	304	59	-
Total liabilities	6,081,221	2,177,957	1,101,165	96,374
Fund balances:				
Reserved for:				
Supplemental levy purposes	609,414	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	2,188,226	-	-	-
Special revenue funds	-	(213,055)	942,125	2,370,057
Capital projects fund	-	-	-	-
Total fund balances	2,797,640	(213,055)	942,125	2,370,057
Total liabilities and fund balances	\$ 8,878,861	1,964,902	2,043,290	2,466,431

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
19,007	743,486	792,918	6,866,599
168	-	-	1,973
709,783	-	-	9,138,239
-	-	-	723
-	-	30	8,698
-	-	12,438	28,966
-	-	-	952,674
-	-	-	488,836
-	-	-	144,606
728,958	743,486	805,386	17,631,314

-	99,989	7,983	421,151
-	-	-	179,973
-	-	-	533,004
709,783	-	-	9,138,239
150	-	-	2,255
709,933	99,989	7,983	10,274,622

-	-	-	609,414
19,025	-	-	19,025
-	-	-	2,188,226
-	-	797,403	3,896,530
-	643,497	-	643,497
19,025	643,497	797,403	7,356,692
728,958	743,486	805,386	17,631,314

Marshall County
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets
June 30, 2006

Exhibit D

Total governmental fund balances (page 15) \$ 7,356,692

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$62,241,035 and the accumulated depreciation is \$25,197,854. 37,043,181

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 2,255

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health and dental insurance benefit plans to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 730,621

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period, and therefore, are not reported in the funds. (4,563,135)

Net assets of governmental activities (page 11) \$ 40,569,614

Marshall County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 5,312,224	1,332,368	1,877,794	-
Interest and penalty on property tax	85,590	-	-	-
Intergovernmental	2,594,481	1,491,664	79,793	3,613,462
Licenses and permits	625	-	43,326	2,115
Charges for service	752,705	7,189	-	27,420
Use of money and property	415,717	-	-	415
Miscellaneous	64,987	48	-	56,703
Total revenues	9,226,329	2,831,269	2,000,913	3,700,115
Expenditures:				
Operating:				
Public safety and legal services	5,302,972	-	323,019	-
Physical health and social services	827,399	-	23,580	-
Mental health	-	3,128,228	-	-
County environment and education	473,506	-	151,136	-
Roads and transportation	-	-	205,471	4,509,433
Governmental services to residents	950,407	-	-	-
Administration	2,194,601	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	869,199
Total expenditures	9,748,885	3,128,228	703,206	5,378,632
Excess (deficiency) of revenues over (under) expenditures	(522,556)	(296,959)	1,297,707	(1,678,517)
Other financing sources (uses):				
Sale of capital assets	12,021	-	-	4,300
Operating transfers in	4,903	-	4,658	1,288,642
Operating transfers out	(34,663)	-	(1,150,250)	-
Total other financing sources (uses)	(17,739)	-	(1,145,592)	1,292,942
Net change in fund balances	(540,295)	(296,959)	152,115	(385,575)
Fund balances beginning of year	3,337,935	83,904	790,010	2,755,632
Fund balances end of year	\$ 2,797,640	(213,055)	942,125	2,370,057

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
632,660	-	227,118	9,382,164
-	-	-	85,590
32,949	-	8,525	7,820,874
-	-	-	46,066
-	-	8,977	796,291
-	20,399	19,278	455,809
-	466,758	103,758	692,254
665,609	487,157	367,656	19,279,048
-	-	31,389	5,657,380
-	-	-	850,979
-	-	-	3,128,228
-	-	179,430	804,072
-	-	-	4,714,904
-	-	40,000	990,407
-	-	3,389	2,197,990
653,589	-	-	653,589
-	652,687	10,401	1,532,287
653,589	652,687	264,609	20,529,836
12,020	(165,530)	103,047	(1,250,788)
-	-	-	16,321
-	28,777	48,916	1,375,896
(4,903)	(138,392)	(47,688)	(1,375,896)
(4,903)	(109,615)	1,228	16,321
7,117	(275,145)	104,275	(1,234,467)
11,908	918,642	693,128	8,591,159
19,025	643,497	797,403	7,356,692

Marshall County
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities
Year Ended June 30, 2006

Net change in fund balances - Total governmental funds (page 18) \$ (1,234,467)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 2,453,745	
Capital assets contributed by the Iowa Department of Transportation	1,997,514	
Depreciation expense	<u>(1,791,732)</u>	2,659,527

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas in the governmental funds report the proceeds from the sale as an increase in financial resources. (16,284)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property tax		267
--------------	--	-----

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid		521,013
--------	--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	4,525	
Interest on long-term debt	<u>3,826</u>	8,351

The Internal Service Fund is used by management to charge the costs of employee health and dental benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

173,265

Change in net assets of governmental activities (page 13) \$ 2,111,672

Marshall County
Statement of Net Assets
Proprietary Fund
June 30, 2006

Exhibit G

	<u>Internal Service- Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 932,018
Accounts receivable	703
Total assets	<u>932,721</u>
Liabilities	
Accounts payable	<u>202,100</u>
Net Assets	
Unrestricted	<u><u>\$ 730,621</u></u>

Marshall County
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2006

	<u>Internal Service- Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,082,989
Reimbursements from employees	111,325
Reimbursements from others	<u>17,223</u>
Total operating revenues	1,211,537
Operating expenses:	
Medical claims	823,047
Insurance premiums	228,394
Administrative fees	<u>12,490</u>
Total operating disbursements	1,063,931
Operating income	147,606
Non-operating revenues:	
Interest income	<u>25,659</u>
Net income	173,265
Net assets beginning of year	<u>557,356</u>
Net assets end of year	<u><u>\$ 730,621</u></u>

Marshall County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2006

	<u>Internal Service- Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,082,989
Cash received from employees and others	530,971
Cash paid to suppliers for services	<u>(1,126,843)</u>
Net cash provided by operating activities	487,117
Cash flows from investing activities:	
Interest on investments	<u>25,659</u>
Net increase in cash and cash equivalents	512,776
Cash and cash equivalents beginning of year	<u>419,242</u>
Cash and cash equivalents end of year	<u><u>\$ 932,018</u></u>
Reconciliations of operating income to net cash provided by operating activities:	
Operating income	\$ 147,606
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	402,423
(Decrease in accounts payable)	<u>(62,912)</u>
Net cash provided by operating activities	<u><u>\$ 487,117</u></u>

Marshall County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Cash and pooled investments:	
County Treasurer	\$ 3,626,170
Other County officials	59,776
Receivables:	
Property tax:	
Delinquent	8,787
Succeeding year	31,612,186
Accounts	53,005
Accrued interest	10,316
Assessments	204,002
Total assets	<u>35,574,242</u>

Liabilities

Accounts payable	114,084
Salaries and benefits payable	3,115
Due to other governments	35,341,133
Trusts payable	84,227
Compensated absences	31,683
Total liabilities	<u>35,574,242</u>
Net assets	<u><u>\$ -</u></u>

Marshall County

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Marshall County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Marshall County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Marshall County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Four drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Marshall County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Marshall County Auditor's office.

One drainage district, a joint district between Marshall and Story Counties, is managed and supervised by elected trustees. This district is included as an Agency Fund of the County.

Marshall County
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Marshall County Assessor's Conference Board and Marshall County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County has been designated as trustee of the Marshall County Solid Waste Management Commission's Irrevocable Trust Fund. The purpose of this fund is to demonstrate financial assurance for closure, post-closures and corrective action as required by law. The County's responsibility for this fund is limited to a fiduciary relationship and as such, the activity has been reported in an Agency Fund of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Marshall County Public Safety Communications Center, Solid Waste Management Commission of Marshall County, Multi-County Cooperative Child Support Agreement, Region Six Planning Commission, Central Iowa Juvenile Detention Center, and Mid-Iowa Drug Task Force.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Marshall County
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Marshall County
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

Marshall County
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The county maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year.

Marshall County
Notes to Financial Statements
June 30, 2006

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2005.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Marshall County
Notes to Financial Statements
June 30, 2006

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	30 – 50
Building improvements	20 – 50
Infrastructure	15 – 65
Equipment	5 – 25
Vehicles	7 – 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Marshall County
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Marshall County
Notes to Financial Statements
June 30, 2006

(2) Cash and Pooled Investments (continued)

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Debt Service	\$ 4,903
Special Revenue: Secondary Roads	Capital Projects	138,392
	Special Revenue: Rural Services	<u>1,150,250</u>
		1,288,642
Moderate Income Housing	Special Revenue: Urban Renewal Revenue	47,688
Rural Services	General	4,658
Sheriff's Investigative Fund	General	1,228
Capital Projects	General	28,777
		<u><u>\$ 1,375,896</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Marshall County
Notes to Financial Statements
June 30, 2006

(4) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	General Obligation Bonds	Deferred Real Estate Contract	Capital Lease Purchase Agreements	Compensated Absences	Total
Balance beginning of year	\$ 4,530,000	103,443	43,170	394,624	5,071,237
Increase	-	-	-	7,518	7,518
Decrease	475,000	19,598	26,415	12,043	533,056
Balance end of year	\$ 4,055,000	83,845	16,755	390,099	4,545,699
Due within one year	\$ 500,000	20,499	16,755	390,099	927,353

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreement to lease equipment for the sheriff's office with an historical cost of \$64,483 and amortization of \$14,142. The following is a schedule of the future minimum lease payments, including interest of 5.0% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2006:

Year Ending June 30,	Sheriff's Equipment
2007	\$ 17,637
Less amount representing interest	<u>882</u>
Present value of net minimum lease payments	<u>\$ 16,755</u>

Payments under capital lease purchase agreements totaled \$27,495 for the year ended June 30, 2006.

Industrial Development Revenue Bonds

The County has issued a total of \$6,790,000 in industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$6,440,000 is outstanding at June 30, 2006. The bonds and related interest are payable solely from the rents payable by the tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

Marshall County
Notes to Financial Statements
June 30, 2006

(4) Changes in Long-Term Liabilities (continued)

Deferred Real Estate Contract

During the year ended June 30, 2002, the County entered into a deferred payment contract totaling \$180,000 to purchase real estate for the Secondary Roads department. The County agreed to pay the seller \$20,000 on the date of possession and ninety-six monthly installments, including interest, beginning May 1, 2002. The interest rate is variable during the term of the contract. The initial rate is 4½% per annum for the first twelve months. Effective April 1, 2003, the interest rate will be determined by the current rate on two year U.S. Treasury Notes, plus 1%. The interest rate will never be less than 4½% nor more than 7% annum. Payments under the deferred real estate contract for the year ended June 30, 2006 totaled \$23,852. The balance of the contract at June 30, 2006 was \$83,845.

Bonds Payable

A summary of the County's June 30, 2006 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates		Principal	Interest	Total
2007	2.05 to 4.00	\$	500,000	252,618	752,618
2008	2.40 to 4.10		515,000	237,416	752,416
2009	2.60 to 3.15		540,000	107,298	647,298
2010	4.25		395,000	91,140	486,140
2011	4.30		230,000	78,303	308,303
2012	4.40		240,000	70,598	310,598
2013	4.50		245,000	62,318	307,318
2014	4.50		260,000	53,620	313,620
2015	4.65		265,000	44,130	309,130
2016	4.70		275,000	34,193	309,193
2017	4.75		290,000	23,605	313,605
2018	4.80		300,000	12,150	312,150
			\$ 4,055,000	1,067,389	5,122,389

During the year ended June 30, 2006, the County retired \$475,000 of bonds.

Marshall County
Notes to Financial Statements
June 30, 2006

(5) Marshall County Employee Group Health Fund

The Internal Service, Marshall County Employee Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Select Benefit Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Marshall County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Select Benefits Administrators from the Marshall County Employee Group Health Fund. The County's contribution for the year ended June 30, 2006 was \$1,082,989.

Amounts payable from the Marshall County Employee Group Health Insurance Fund at June 30, 2006 total \$202,100 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$730,621 at June 30, 2006 and is reported as a designation of the Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims as of July 1, 2005	\$ 265,012
Incurred claims (including claims incurred but not reported as of June 30, 2006)	823,047
Payments on claims during the fiscal year	<u>885,959</u>
Unpaid claims at June 30, 2006	\$ <u>202,100</u>

Marshall County
Notes to Financial Statements
June 30, 2006

(6) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$391,179, \$386,598 and \$368,475, respectively, equal to the required contributions for each year.

(7) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 120,107
Special Revenue:		
Rural Services	Services	200
Secondary Road	Services	281
Mental Health	Services	412,416
		<u>412,897</u>
Total for governmental funds		\$ <u>533,004</u>
Agency:		
County Assessor	Collections	\$ 659,811
Schools		20,479,198
Community Colleges		1,200,169
Corporations		9,630,372
Auto License and Use Tax		690,590
Solid Waste Irrevocable Trust		1,912,757
All other		768,236
Total for agency funds		\$ <u>35,341,133</u>

Marshall County
Notes to Financial Statements
June 30, 2006

(8) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,812,941	499	15,408	1,798,032
Construction in progress	-	665,113	-	665,113
Total capital assets not being depreciated	1,812,941	665,612	15,408	2,463,145
Capital assets being depreciated:				
Buildings	19,409,597	739,715	-	20,149,312
Equipment and vehicles	6,576,422	862,440	286,691	7,152,171
Infrastructure, road network	30,274,807	2,201,600	-	32,476,407
Total capital assets being depreciated	56,260,826	3,803,755	286,691	59,777,890
Less accumulated depreciation for:				
Buildings	7,816,822	386,073	-	8,202,895
Equipment and vehicles	3,590,760	426,096	267,707	3,749,149
Infrastructure, road network	12,266,247	979,563	-	13,245,810
Total accumulated depreciation	23,673,829	1,791,732	267,707	25,197,854
Total capital assets being depreciated, net	32,586,997	2,012,023	18,984	34,580,036
Governmental activities capital assets, net	\$ 34,399,938	2,677,635	34,392	37,043,181

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 276,525
Physical health and social services	6,337
County environment and education	100,945
Roads and transportation	1,271,285
Governmental services to residents	22,711
Administration	113,929
Total depreciation expense - governmental activities	<u>\$ 1,791,732</u>

(9) Operating Leases

During the year ended June 30, 2002, the County entered into an agreement with the Marshalltown Town Center to lease space for the County Treasurer Motor Vehicle Department. The lease has been classified as an operating lease and, accordingly, all rents are charged to expenditures as incurred. The lease expires June 30, 2011.

Marshall County

Notes to Financial Statements

June 30, 2006

(9) Operating Leases (continued)

Pursuant to an agreement with the Marshalltown Town Center (Center), the County paid \$161,760 to remodel the leased space. The County recorded these costs as prepaid expenditures that are amortized and reduce the annual cash rental payments throughout the term of the lease.

The County has also entered into several other leases for operating space used by various county departments. The leases expire at various times through June 30, 2009. The following is a schedule by year of the total annual lease costs required under the operating leases.

Year Ending June 30	Annual Rent Due in Cash	Annual Prepaid Expenditures Amortized	Total Annual Lease Costs
2007	86,128	15,966	102,094
2008	11,328	15,966	27,294
2009	11,840	14,766	26,606
2010	8,400	14,766	23,166
2011	13,500	9,666	23,166
Total	\$ 131,196	71,130	202,326

The total annual lease costs for the year ended June 30, 2006 were \$83,207.

(10) Risk Management

Marshall County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limits. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Net Asset Restatement

At June 30, 2004, Marshall County restated its beginning net assets per Governmental Accounting Standards Board Statement No. 34 to include capital assets and accumulated depreciation. When that restatement was made an additional year of depreciation expense was included in the accumulated depreciation amount. The net assets at June 30, 2006, have been restated to reflect the removal of that additional year of depreciation expense in the amount of \$989,644.

(12) Deficit Balance

The Mental Health Fund had a deficit balance of \$213,055 at June 30, 2006. The deficit balance was a result of timing differences in property tax collections and payments due to the State of Iowa at year end. The deficit will be eliminated upon receipt of property taxes. The Mental Health levy was increased in fiscal year 2008 to prevent this from occurring in the future.

Marshall County
 Budgetary Comparison Schedule of
 Receipts, Disbursements, and Changes in Fund Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2006

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 9,375,877	542
Interest and penalty on property tax	86,141	-
Intergovernmental	7,742,551	-
Licenses and permits	42,259	-
Charges for services	762,498	-
Use of money and property	462,121	-
Miscellaneous	660,237	-
Total receipts	<u>19,131,684</u>	<u>542</u>
Disbursements:		
Public safety and legal services	5,704,703	-
Physical health and social services	797,879	-
Mental health	3,096,913	-
County environment and education	797,722	-
Roads and transportation	4,777,556	-
Governmental services to residents	945,280	-
Administration	2,221,505	-
Debt service	653,589	-
Capital projects	1,478,787	424
Total disbursements	<u>20,473,934</u>	<u>424</u>
Excess (deficiency) of receipts over (under) disbursements	(1,342,250)	118
Other financing sources, net	<u>16,321</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,325,929)	118
Balance beginning of year	<u>8,192,528</u>	<u>5,845</u>
Balance end of year	<u>\$ 6,866,599</u>	<u>5,963</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
9,375,335	9,252,534	9,345,757	29,578
86,141	13,000	13,000	73,141
7,742,551	8,105,057	8,709,193	(966,642)
42,259	38,183	38,089	4,170
762,498	851,290	995,771	(233,273)
462,121	315,270	332,900	129,221
660,237	128,500	171,918	488,319
19,131,142	18,703,834	19,606,628	(475,486)
5,704,703	6,047,666	6,114,129	409,426
797,879	930,298	927,973	130,094
3,096,913	3,169,859	3,170,605	73,692
797,722	856,703	889,102	91,380
4,777,556	5,111,400	5,114,900	337,344
945,280	956,548	1,003,012	57,732
2,221,505	2,547,716	2,564,442	342,937
653,589	655,661	655,661	2,072
1,478,363	1,711,418	2,031,403	553,040
20,473,510	21,987,269	22,471,227	1,997,717
(1,342,368)	(3,283,435)	(2,864,599)	1,522,231
16,321	7,000	9,256	7,065
(1,326,047)	(3,276,435)	(2,855,343)	1,529,296
8,186,683	6,073,743	8,083,827	102,856
6,860,636	2,797,308	5,228,484	1,632,152

Marshall County
 Budgetary Comparison Schedule -
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 19,131,684	147,364	19,279,048
Expenditures	20,473,934	55,902	20,529,836
Net	(1,342,250)	91,462	(1,250,788)
Other financing sources, net	16,321	-	16,321
Beginning fund balances	8,192,528	398,631	8,591,159
Ending fund balances	\$ 6,866,599	490,093	7,356,692

Marshall County
Notes to Required Supplementary Information-
Budgetary Reporting
June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$483,958. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Marshall County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Resource Enhancement and Protection	Sheriff's Investigative	Sheriff's DARE	Jail Commissary
Assets				
Cash and pooled investments	\$ 23,895	864	1,620	164,218
Receivables:				
Accrued interest	-	-	-	-
Accounts	-	-	-	-
Total assets	\$ 23,895	864	1,620	164,218
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	73	5,557
Fund equity:				
Unreserved	23,895	864	1,547	158,661
Total liabilities and fund equity	\$ 23,895	864	1,620	164,218

Conservation Land Acquisition Trust	Klaunberg Trust	County Recorder's Records Management	Attorney's Forfeiture	Drainage Certificates	Urban Renewal Revenue	Moderate Income Housing	County Recorder's Electronic Transaction Fee	Total
67,501	409,889	31,148	13,591	5,683	2,353	71,813	343	792,918
-	12,438	-	-	-	-	-	-	12,438
30	-	-	-	-	-	-	-	30
67,531	422,327	31,148	13,591	5,683	2,353	71,813	343	805,386
-	-	-	-	-	2,353	-	-	7,983
67,531	422,327	31,148	13,591	5,683	-	71,813	343	797,403
67,531	422,327	31,148	13,591	5,683	2,353	71,813	343	805,386

Marshall County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2006

	Resource Enhancement and Protection	Sheriff's Investigative	Sheriff's DARE	Jail Commissary	Conservation Land Acquisition Trust
Revenues:					
Property and other county tax	\$ -	-	-	-	-
Intergovernmental	7,939	-	586	-	-
Charges for service	-	-	-	-	-
Use of money and property	415	4	10	658	1,518
Miscellaneous	-	839	960	69,805	28,360
Total revenues	8,354	843	1,556	70,463	29,878
Expenditures:					
Operating:					
Public safety and legal services	-	2,067	240	28,741	-
County environment and education	-	-	-	-	-
Governmental services to residents	-	-	-	-	-
Administration	-	-	-	-	-
Capital projects	1,561	-	-	-	8,416
Total expenditures	1,561	2,067	240	28,741	8,416
Excess (deficiency) of revenues over (under) expenditures	6,793	(1,224)	1,316	41,722	21,462
Other financing sources (uses):					
Operating transfers in (out):					
General	-	1,228	-	-	-
Moderate income housing	-	-	-	-	-
Urban renewal revenue	-	-	-	-	-
Total other financing sources (uses)	-	1,228	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	6,793	4	1,316	41,722	21,462
Fund balances beginning of year	17,102	860	231	116,939	46,069
Fund balances end of year	\$ 23,895	864	1,547	158,661	67,531

Klaunenberg Trust	County Recorder's Records Management	County Attorney's Forfeiture	Drainage Certificates	Urban Renewal Revenue	Moderate Income Housing	County Recorder's Electronic Transaction Fee	Total
-	-	-	-	227,118	-	-	227,118
-	-	-	-	-	-	-	8,525
-	8,977	-	-	-	-	-	8,977
15,356	1,232	55	-	-	-	30	19,278
-	-	3,252	542	-	-	-	103,758
15,356	10,209	3,307	542	227,118	-	30	367,656
-	-	341	-	-	-	-	31,389
-	-	-	-	179,430	-	-	179,430
-	40,000	-	-	-	-	-	40,000
3,389	-	-	-	-	-	-	3,389
-	-	-	424	-	-	-	10,401
3,389	40,000	341	424	179,430	-	-	264,609
11,967	(29,791)	2,966	118	47,688	-	30	103,047
-	-	-	-	-	-	-	1,228
-	-	-	-	(47,688)	-	-	(47,688)
-	-	-	-	-	47,688	-	47,688
-	-	-	-	(47,688)	47,688	-	1,228
11,967	(29,791)	2,966	118	-	47,688	30	104,275
410,360	60,939	10,625	5,565	-	24,125	313	693,128
422,327	31,148	13,591	5,683	-	71,813	343	797,403

Marshall County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

	County Offices		Agricultural		
	County Recorder	County Sheriff	Extension Education	County Assessor	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	-	1,470	295,945	304,045
Other county officials	29,561	30,215	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	22	96	4,659
Succeeding year	-	-	90,890	390,636	20,170,494
Accounts	353	-	-	-	-
Accrued interest	-	-	-	-	-
Assessments	-	-	-	-	-
Total assets	\$ 29,914	30,215	92,382	686,677	20,479,198
Liabilities					
Accounts payable	\$ -	-	-	14	-
Salaries and benefits payable	-	-	-	1,845	-
Due to other governments	29,914	-	92,382	659,811	20,479,198
Trusts payable	-	30,215	-	-	-
Compensated absences	-	-	-	25,007	-
Total liabilities	\$ 29,914	30,215	92,382	686,677	20,479,198

Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax
17,101	157,779	5,004	74	2,384	690,590
-	-	-	-	-	-
258	3,711	40	1	-	-
1,182,810	9,468,882	303,632	4,842	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	204,002	-
1,200,169	9,630,372	308,676	4,917	206,386	690,590
-	-	-	-	-	-
-	-	-	-	-	-
1,200,169	9,630,372	308,676	4,917	206,386	690,590
-	-	-	-	-	-
-	-	-	-	-	-
1,200,169	9,630,372	308,676	4,917	206,386	690,590

Marshall County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

	Local Emergency Management Services	Tax Sale Redemption Non-County	Solid Waste Irrevocable Trust	Marshall County Wellness	E-911
Assets					
Cash and pooled investments					
County Treasurer	49,785	64,837	1,902,441	12,995	3,684
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	650	-	-	-	52,002
Accrued interest	-	-	10,316	-	-
Assessments	-	-	-	-	-
Total assets	50,435	64,837	1,912,757	12,995	55,686
Liabilities					
Accounts payable	13,423	-	-	-	55,395
Salaries and benefits payable	1,270	-	-	-	-
Due to other governments	29,066	64,837	1,912,757	-	291
Trusts payable	-	-	-	12,995	-
Compensated absences	6,676	-	-	-	-
Total liabilities	50,435	64,837	1,912,757	12,995	55,686

Other	Total
118,036	3,626,170
-	59,776
-	8,787
-	31,612,186
-	53,005
-	10,316
-	204,002
118,036	35,574,242

45,252	114,084
-	3,115
31,767	35,341,133
41,017	84,227
-	31,683
118,036	35,574,242

Marshall County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2006

	County Offices		Agricultural	
	County Recorder	County Sheriff	Extension Education	County Assessor
Assets and Liabilities				
Balances beginning of year	\$ 28,769	26,268	92,269	711,752
Additions:				
Property and other county tax	-	-	85,890	368,999
E-911 surcharge	-	-	-	-
State tax credits	-	-	4,661	20,165
Interest	-	-	-	-
Office fees and collections	566,621	134,997	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	377,789	-	-
Miscellaneous	-	-	-	77
Total additions	566,621	512,786	90,551	389,241
Deductions:				
Agency remittances:				
To other funds	303,064	134,458	-	-
To other governments	262,412	-	90,438	414,316
Trusts paid out	-	374,381	-	-
Total deductions	565,476	508,839	90,438	414,316
Balances end of year	\$ 29,914	30,215	92,382	686,677

Schools	Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax
19,261,360	1,073,380	9,097,205	305,051	4,617	126,758	696,836
19,130,655	1,234,757	10,547,002	286,717	4,592	-	-
-	-	-	-	-	-	-
963,001	54,191	434,700	16,958	233	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	8,083,200
-	-	-	-	-	121,006	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,093,656	1,288,948	10,981,702	303,675	4,825	121,006	8,083,200
-	-	-	-	-	-	251,894
18,875,818	1,162,159	10,448,535	300,050	4,525	41,378	7,837,552
-	-	-	-	-	-	-
18,875,818	1,162,159	10,448,535	300,050	4,525	41,378	8,089,446
20,479,198	1,200,169	9,630,372	308,676	4,917	206,386	690,590

Marshall County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2006

	Local Emergency Management Services	Tax Sale Redemption Non-County	Solid Waste Irrevocable Trust	Marshall County Wellness
Assets and Liabilities				
Balances beginning of year	59,577	15,513	1,679,027	15,875
Additions:				
Property and other county tax	-	-	-	-
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	-
Interest	-	-	57,155	290
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	542,459	-	-
Miscellaneous	140,234	-	176,575	6,558
Total additions	140,234	542,459	233,730	6,848
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	149,376	-	-	-
Trusts paid out	-	493,135	-	9,728
Total deductions	149,376	493,135	-	9,728
Balances end of year	50,435	64,837	1,912,757	12,995

<hr/>		
E-911	Other	Total
<hr/>		
62,378	94,311	33,350,946
<hr/>		
-	12,186	31,670,798
218,998	-	218,998
-	-	1,493,909
100	3,379	60,924
-	8,977	710,595
-	619	8,083,819
-	-	121,006
-	16,403	936,651
-	548,808	872,252
219,098	590,372	44,168,952
<hr/>		
-	-	689,416
225,790	472,624	40,284,973
-	94,023	971,267
225,790	566,647	41,945,656
<hr/>		
55,686	118,036	35,574,242
<hr/>		

Marshall County
Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds
For the Last Four Years

		Modified Accrual Basis			
		2006	2005	2004	2003
Revenues:					
Property and other county tax	\$	9,382,164	8,622,222	8,552,943	8,220,393
Interest and penalty on property tax		85,590	77,867	91,559	93,099
Intergovernmental		7,820,874	7,791,934	7,448,548	7,311,452
Licenses and permits		46,066	30,687	26,068	22,635
Charges for service		796,291	779,753	798,958	727,343
Use of money and property		455,809	271,154	317,436	453,080
Fine, forfeitures, and defaults		-	-	-	11,927
Miscellaneous		692,254	306,337	405,519	209,328
Total	\$	19,279,048	17,879,954	17,641,031	17,049,257
Expenditures:					
Operating:					
Public safety and legal services	\$	5,657,380	5,677,146	5,497,490	5,036,429
Physical health and social services		850,979	849,797	1,076,965	1,097,201
Mental health		3,128,228	2,858,400	2,981,086	2,881,664
County environment and education		804,072	609,842	593,010	441,569
Roads and transportation		4,714,904	4,814,973	4,398,900	4,290,402
Governmental services to residents		990,407	733,620	787,284	753,237
Administration		2,197,990	2,120,834	2,201,181	2,125,267
Debt service		653,589	319,337	315,337	316,073
Capital projects		1,532,287	427,775	732,727	795,020
Total	\$	20,529,836	18,411,724	18,583,980	17,736,862

Marshall County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Schedule 6

Grantor/Program	CFDA Number	Agency or Pass- through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>19,728</u>
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Accountability Incentive Block Grant	16.523	32-JD01-F505	11,009
Juvenile Accountability Incentive Block Grant	16.523	32-JD03-F504	<u>1,168</u>
			<u>12,177</u>
Title V Delinquency Prevention Program	16.548	32-JD03-F504	<u>672</u>
Enforcing Underage Drinking Laws	16.727	32-JD01-F505	5,138
Enforcing Underage Drinking Laws	16.727	32-JD03-F504	<u>746</u>
			<u>5,884</u>
Juvenile Justice and Delinquency Prevention	16.540	32-JD01-F505	7,408
Juvenile Justice and Delinquency Prevention	16.540	32-JD03-F504	<u>3,682</u>
			<u>11,090</u>
Governor's Office of Drug Control Policy:			
Edward Bryne Memorial Formula Grant	16.579	05JAG-A48	<u>75,280</u>
Iowa Department of Justice-Crime Victims Assistance Division:			
Violence Against Women Formula Grants	16.588	VW-06	<u>30,400</u>
Crime Victim Assistance	16.575	VA-06	<u>25,800</u>
Iowa Department of Public Health:			
Public Education on Drug Abuse Information	16.005	5889TS86	<u>900</u>
Iowa Department of Safety:			
Law Enforcement Assistance-			
Narcotics and Dangerous Drugs Training	16.004	I4PMWP556	<u>7,152</u>

Marshall County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Schedule 6

Grantor/Program	CFDA Number	Agency or Pass- through Number	Program Expenditures
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursement:			
Temporary Assistance for Needy Families	93.558		23,763
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		5,652
Foster Care-Title IV-E	93.658		12,312
Adoption Assistance	93.659		2,996
Medical Assistance Program	93.778		31,755
Social Services Block Grant	93.667		16,279
Social Services Block Grant	93.667		183,624
			199,903
Iowa Department of Education:			
Temporary Assistance for Needy Families- School Ready Children	93.558		124,241
U.S. Department of Homeland Security			
Iowa Department of Public Defense:			
Homeland Security Division:			
Emergency Management Performance Grant	97.042		21,551
Homeland Security Grant Program	97.067		7,556
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Highway Planning and Construction	20.205	BROS CO64(81)-8J-64	127,868
State and Community Highway Safety	20.600	PAP-05-03 Task 06	3,417
Total			\$ 750,097

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Marshall County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-309-5461 • FAX 515-278-0287

James R. Bowman, CPA • jim@syscompia.com

Elizabeth A. Miller, CPA • beth@syscompia.com

Debra J. Osborn, CPA • deb@syscompia.com

Suzanne M. Mead, CPA • suzanne@syscompia.com

Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Marshall County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marshall County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated December 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Marshall County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

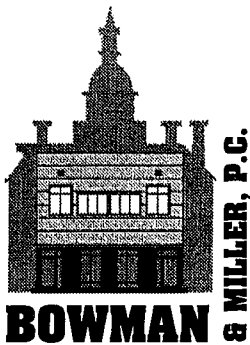
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marshall County and other parties to whom Marshall County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Marshall County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

December 12, 2006



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-309-5461 • FAX 515-278-0287

James R. Bowman, CPA • jim@syscompia.com

Elizabeth A. Miller, CPA • beth@syscompia.com

Debra J. Osborn, CPA • deb@syscompia.com

Suzanne M. Mead, CPA • suzanne@syscompia.com

Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Marshall County:

Compliance

We have audited the compliance of Marshall County, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Marshall County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marshall County's management. Our responsibility is to express an opinion on Marshall County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marshall County's compliance with those requirements.

In our opinion, Marshall County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Marshall County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Marshall County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marshall County and other parties to whom Marshall County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Bowman and Miller, P.C.

December 12, 2006

Marshall County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part I: Findings and Questioned Costs for Federal Awards:

No matters were reported.

Part II: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 93.558 – Temporary Assistance to Needy Families
 - CFDA Number 93.667 – Social Services Block Grant
 - CFDA Number 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marshall County did not qualify as a low-risk auditee.

Marshall County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part III: Findings Related to the Financial Statements:

INSTANCES OF NON COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

III-A-06 Segregation of Duties – During our review of the internal control structure, the existing control procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

Applicable
Offices

Recorder,
Sheriff

(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.

Sheriff

Recommendation – We realize that with a limited number of office employees segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The County offices will review their office policies and attempt to segregate duties where possible. Where it is not possible increased review by supervisory personnel will be performed.

Conclusion – Response accepted.

Marshall County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006, did not exceed the amounts budgeted.
- IV-B-06 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-06 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Business Connection	Description	Amount
Angie Kelley, wife of Todd Kelley, Maintenance Supervisor	Fire Extinguishers	\$ 2,672
Dennis Bachman, husband of Deanna Neldeberg-Bachman, Emergency Management Director	EMS Training	3,314

The transactions with Angie Kelley and Dennis Bachman may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – Dennis Bachman was doing the same EMS training before he was dating Deanna, during their engagement and after their marriage. Nothing has changed except their relationship. Todd Kelley and his wife Angie have serviced fire extinguishers and extinguisher systems for years before he became Maintenance Supervisor for Marshall County. With the death of the owner of Danner Fire Extinguisher Services, no business has come forth to replace these services. As a result of this loss of services, the only experienced persons left to provide these same services are Todd and Angie Kelley. We have consulted with our County Attorney and she has given us a letter stating that she does not believe there is a conflict of interest.

Conclusion – Response accepted.

Marshall County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

- IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-H-06 Deposits and Pooled Investments – We noted no instances of non-compliance with the deposits and pooled investments provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policies.
- IV-I-06 Financial Condition – The Mental Health Fund has a deficit balance at June 30, 2006 of \$213,055.
- Recommendation – The County should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.
- Response – The County is currently planning on increasing the levy in the Mental Health Fund to help cover the continued increase in mental health care and to eliminate this from happening in the future.
- Conclusion – Response accepted.
- IV-J-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently is not included in Exhibits A or B.

Marshall County Audit Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, Iowa

Personnel:

Elizabeth A. Miller, CPA, Principal
James R. Bowman, CPA, Principal
Suzanne Mead, CPA, Principal
Debra J. Osborn, CPA, Principal